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Community Economic Development Assistance Corporation

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The Massachusetts Housing Partnership

First Repayment Marks the Progress of a Major New Program

by Jill Kneerim

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The loan is enabling the CDC to renovate 34 apartments in three buildings on Carol Avenue in the section of Boston known as Brighton, converting them into a mixed-income co-operative.

On the other side of the table, the check represented the first repayment to CEDAC's recently created Massachusetts Housing Partnership Loan Fund.

A Dukakis Initiative

Like many other states, Massachusetts does not have enough reasonably priced housing to meet the needs of its residents. But unlike most other states, the Commonwealth under Governor Michael Dukakis is taking dramatic steps to relieve the problem. As one of these steps, in the spring of 1985 the governor announced a massive public/private venture called the Massachusetts Housing Partnership, or MHP, designed to help create affordable housing in the state.

MHP funds provide state support for local housing initiatives undertaken by municipalities, private developers, community groups, and others. "Local efforts are critical to making decent housing available to all the citizens of this state, no matter what their income is," says Amy S. Anthony, Secretary of the state's Executive Office of Communities and Development.

A Critical Link: The Nonprofit Developer

As a key part of the financial support it offers for creation of affordable housing across the state, MHP allocated CEDAC roughly 10 percent of its budget to provide critically needed loans for nonprofit developers such as the Allston-Brighton

(Continued on page 2)

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CEDAC SITES

Spring 1987

Community Economic Development Assistance Corporation

Carpenter prepares to hang a door during renovation of the Carol Avenue Cooperative in the Brighton section of Boston.

GOVERNMENT DOCUMENTS COLLECTION

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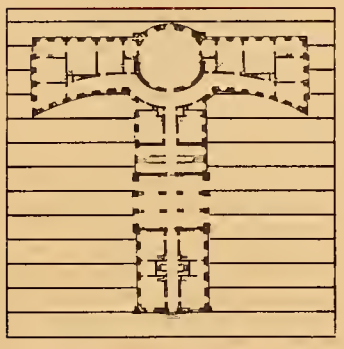
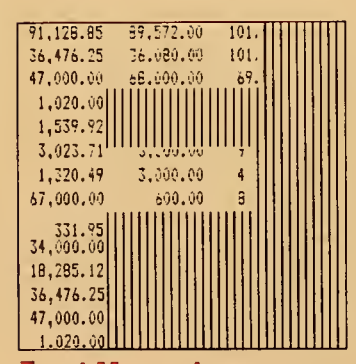
Massachusetts Housing Partnership

Site Control Loans


Technical Assistance Advances



Front Money Loans

Partnership *(Continued from page 1)*

group. The fund represents a vote of confidence in nonprofit organizations as an important producer of low-income housing.

The nonprofit developers CEDAC deals with range in size and sophistication from a large, experienced community development corporation to a brand new association of low-income tenants who want to buy their own building. Both large and small, these groups are able to produce affordable housing in a high-priced market by forgoing profits, by securing public support such as free land and low-interest mortgages, by selling tax benefits to investors to subsidize the project—and sometimes by selling a portion of the units at normal market rates to subsidize other units.

CEDAC uses the MHP funds to cover early development expenses and to gain control over sites for the nonprofit developer. The Allston-Brighton loan for the Carol Avenue property typifies how the new loan programs work.

CEDAC first made the group a Technica Assistance Advance of $29,000, which pai for an appraisal, architectural services, an loan application and commitment fees. Two months later, as the CDC tried to buy time before its option expired, CEDAC's board held a special meeting to approve a $15,000 Site Control Loan to extend the option three weeks.

Intervening at this point can make quite a difference. "We could never have done i without CEDAC," says Schwarzchild. ■

3.5 MILLION IN RISK MONEY
CEDAC's Three MHP Programs

The biggest hurdle in most development projects is financing. In order to persuade a bank that a project is viable, the developer needs to have in hand an impressive—and expensive—proposal that includes architectural drawings, cost estimates, legal documents, market studies, appraisals, site surveys, and engineering reports.

Nonprofit developers have few sources of front money to finance these costly necessities. By assisting a developer over that hump, CEDAC makes a big difference for affordable housing in the state.

The Massachusetts Housing Partnership has provided CEDAC with almost $3.5 million for a revolving loan fund to help nonprofit developers get the services they need in order to close a deal with the bank.

These are high-risk loans: CEDAC gets repaid only if the project succeeds in closing on construction financing. Meanwhile, the developer pays no interest on the funds from CEDAC.

CEDAC offers three different types of loans:

- **Site Control Loans**
With market pressures reducing the supply of publicly owned property that can be converted (or restored) to housing, nonprofit organizations are finding that they often need to compete for privately-held property. Getting control of a privately owned site generally requires cash.

Under CEDAC's Site Control Loan program, nonprofit developers can borrow as much as $40,000 to option a property or to make a down payment on a purchase and sale agreement. An immediate $2,500 advance can be made to eligible organizations to bind an option while CEDAC completes a more thorough loan review.

- **Technical Assistance Advances**
Although a mortgage will cover fees to architects, engineers, attorneys, and development consultants, there is generally a Catch-22: Banks won't approve a construction loan without fully developed plans that require the help of all these specialists in advance.

Technical Assistance Advances of up to $40,000, depending on the size of the proposed project, allow CEDAC—with the developer's advice and consent—to hire the needed expertise, so the project can secure preliminary financing commitments.

- **Front Money Loans**
Front Money Loans are available to nonprofit developers once they can demonstrate that they control the site and that a bank has made a preliminary commitment to finance the project. These loans, which can range up to $75,000 for large developments, enable the developer to meet the bank's conditions for closing on the construction loan.

Front Money Loans resemble Technical Assistance Advances in that all mortgageable costs are eligible, but because the projects are farther along, CEDAC will commit larger sums with fewer strings attached. Front Money Loans, for example, can be used to pay for a nonprofit's project manager. In these loans, the money goes to the borrower, not directly to the specialists whose services are contracted for. ■

The historic Indian Motocycle Building will be converted into mixed-income rental housing by the Upper State Street CDC.

NEW PROJECTS
CEDAC's First MHP Loans

In the first nine months of CEDAC's MHP loan program, 41 projects by 34 organizations have received loans totaling almost one million dollars, which could ultimately create 2,467 housing units around the state.

ACORN two loans totaling $9,250 to develop 17 owner-built units in Roxbury.

- Allston-Brighton CDC three loans adding up to $44,314 to renovate 34 co-operative units.
- American Workers Cooperative Association $72,500 to construct 214 homeowner and rental units in Taunton.
- Athol-Orange Human Services Corporation $1,500 to secure site control of a 10 unit SRO.
- Back of the Hill CDC $5,000 to pursue the development of a 20 unit cooperative on Mission Hill.
- Boston Neighborhood Housing Services $17,000 to advance work on an 18 unit owner-built project on Mission Hill.
- Charlestown EDC two loans totaling $63,400 towards the construction of 39 condominium units.
- Chelmsford Mobile Home Tenants Association $6,500 to facilitate a tenant purchase of a 254 unit trailer park.
- Coalition for a Better Acre $46,000 to advance plans to rehab a physically and financially distressed 267 unit subsidized rental project.
- Codman Square Housing Development Corporation $36,000 to plan a 157 unit rental rehab.
- Codman Square Housing Development Corporation $18,000 for a 33 unit condominium and commercial rehab project.
- Community Action Programs Inter-City $4,000 to develop a plan to construct 126 units for rent and ownership in Chelsea.
- Dimock Community Health Center $7,000 for transitional housing in Jamaica Plain for 13 women.
- Dorchester Bay Economic Development Corporation $26,000 for planning a 135 unit rental rehab.
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- Fields Corner CDC $25,000 for a 72 unit rental rehab.
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- Fort Point Arts Community three loans totaling $115,000 for a 127 unit cooperative in Somerville.
- Inquilinos Boricuas En Accion $10,180 to plan a 22 unit condominium in Boston's South End.
- Immigrant City Development Corporation $40,000 to develop 140 units in Lawrence.
- Infill Collaborative $21,300 to restore 84 abandoned units in Boston.
- Lena Park CDC $35,000 for a 145 unit rental rehab in Roxbury.
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- Nuestra Comunidad $30,000 for a 97 unit rental rehab in Boston.
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- PACE $20,000 to develop a 26 unit rental property in New Bedford.
- PALISS $6,000 to secure a site for an artist cooperative in Provincetown.
- Quincy Geneva Housing Development Corporation $33,000 for a 100 unit rental rehab in Roxbury.
- Rural Housing Improvement $2,600 for a 15 unit elderly project in Athol.
- Somerville Corporation $3,500 for a 6 unit condominium development.
- Tri-Hill CDC $1,500 for work on a 12 unit homeownership project in Worcester.
- Urban Edge $28,000 to renovate 65 rental units.
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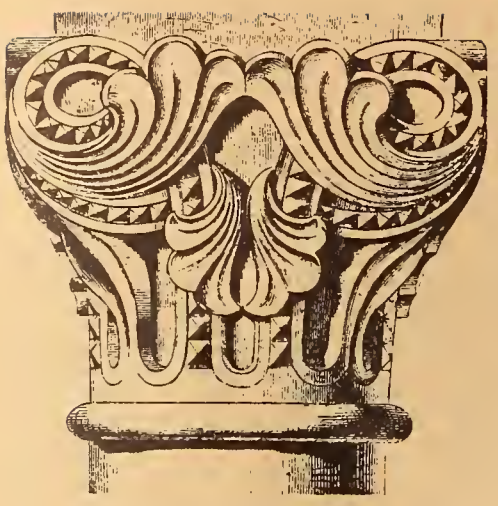
NOTES ON PEOPLE *(Continued from page 4)*

the United Way of Massachusetts Bay's housing advisory committee. The United Way has embarked on a five-year pilot program to fund neighborhood-based housing development organizations. This is believed to be the first time a United Way has moved beyond support of social-service agencies in an effort to address the growing need for affordable housing.

Carl has also been participating in the Neighborhood Development Support Collaborative convened by the Local Initiatives Support Corporation. Working with United Way and local foundations—who have themselves made substantial new funding commitments to augment United Way's—the NDSC has leveraged national foundation funding for local nonprofit housing developers.

The Chelsea Fair Housing Board has bestowed its annual award on two CEDAC staffers, Michael Gondek and development associate Shelly Dein. The board noted that CEDAC had provided technical assistance to four Chelsea organizations during the past year.



Executive Director's Column

by Carl Sussman

Last fall I attended a housing conference in Washington and was stunned by how little state and local activity is occurring outside of Massachusetts.

The book of conference materials contained familiar program descriptions from the Massachusetts Housing Finance Agency, the Executive Office of Communities and Development, and the City of Boston.

The formal sessions and informal conversations reinforced my first impressions: Repeatedly, people from other states commented about the housing resources available in the Commonwealth.

Well established programs that we take for granted, such as the state's Chapter 707 rent subsidy program, are exceptional as you scan the state policy landscape nationwide. SHARP is a novelty. Even the eighteen-year-old anti-snob zoning law became a topic of conversation at one session; members of the audience marveled at its daring.

A Special Commitment to Nonprofits

Massachusetts is even more of a pioneer in non-profit development efforts. No other state can match the Commonwealth's comprehensive range of assistance available to nonprofits for creating affordable housing, especially now that the governor has added MHP to the range of earlier programs.

Communities and Development Secretary Amy Anthony is using MHP funds to keep rental projects sponsored by nonprofits moving in the face of uncertainties in the post-tax-reform equity syndication market. Nonprofits are also benefiting from the new market created by the Home-ownership Opportunity Program.

Resources for Technical Assistance

But perhaps most significant has been the state's commitment to nonprofits reflected in the MHP technical assistance fund being administered by CEDAC.

These funds have given CEDAC an enormous boost in helping the state's non-profit community build housing. Since MHP was created, our loans are larger and cover more types of development expenses, including development consultants, an organization's project manager, and the cost of optioning development sites.

The most astonishing aspect of the MHP technical assistance program has been the brisk demand for it. Since last July, when CEDAC quietly began to lend MHP funds, we have committed nearly $1 million to support the development of nearly 2,500 units of housing. These are high-risk funds committed early in the development process; inevitably, some projects will prove infeasible and our investment will not be recovered. But high risk promises high rewards. The new program will help carry many good projects through the first wobbly steps they might never have been able to take otherwise.

Through the state's MHP fund, we have already discovered a wide range of very capable development organizations formulating sound projects that offer a desperately needed commodity, good affordable housing. As their initiatives expand, Massachusetts should become even more remarkable in the housing field than it is today. ■

NOTES ON PEOPLE

Charleen Regan, CEDAC's new project manager.

CEDAC has a new project manager, Charleen M. Regan. Charleen was most recently the senior housing planner at the Boston Redevelopment Authority, where she was responsible for the Infill Collaborative, a joint venture of four CDCs to redevelop a major scattered-site project in Boston.

Before that, Charleen served as redevelopment director at the Boston Housing Authority. From 1972-1983, she was coordinator of co-operative development for the Planning Office of Urban Affairs of the Archdiocese of Boston. She has been especially involved in co-operative housing efforts, including co-founding the Massachusetts Co-operative Housing Task Force.

Charleen's substantial housing experience will be a great asset in CEDAC's efforts to help non-profit developers.

Governor Michael Dukakis has appointed William Concannon, Acting Assistant Secretary of Neighborhoods at the Executive Office of Communities and Development, to the CEDAC Board of Directors. Bill fills a seat reserved for a government official with related program responsibilities.

When the House Subcommittee on Banking and Housing, chaired by Congressman Barney Frank held a hearing this winter on HUD's property-disposition practices, Vincent O'Donnell, CEDAC's director of development, testified on behalf of the agency. Vince reported on the pending sale of Westminster Willard, a 270-unit subsidized project in Roxbury, and summarized his research findings concerning the expiration of use restrictions on federally assisted projects.

Carl Sussman, CEDAC's executive director, has been asked to serve as an advisor to

(Continued on page 5)

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John Szivos, executive director of Human Resource Center for Rural Communities, poses in front of the Colonial Apartments, a ten-unit SRO in Athol.

PROJECTS LAUNCHED

CEDAC's function is to help community organizations get low- and moderate-income neighborhood housing projects under way. When a bank is persuaded that a development is viable, the project receives financing, repays CEDAC's front-money loans, and makes the transition from the drawing board to construction. The latest CEDAC-supported projects to emerge from plans to reality include these:

Colonial Apartments, a ten-unit SRO in Athol, seemed destined for market-rate condominium conversion when its owners put it up for sale. However, with the help of a Site Control Loan from CEDAC, the Athol-Orange Human Services Corporation acquired the property and plans to begin renovations shortly, allowing the Colonial to remain an SROs for many of its clients.

The **Brickbottom**, a conversion of a gritty warehouse building in Somerville into 11,000 square feet of commercial space, an 83-unit limited-equity co-operative containing live/work space for artists and 49 residential condominiums, has the first phase of construction underway.

In Athol, the Millers River Self-Help Network CDC has been overseeing the construction of three **owner-built homes.** The structures, which are almost complete, were the subject of a very favorable article in the *Christian Science Monitor.*

Leighton Park, the 270-unit mixed-income project being developed in Boston by the Tent City Corporation, is under construction. The project was a hard-won victory for South End activists who pitched tents on the site 20 years ago to demand affordable housing.

Fensgate, the Fenway CDC's handsome 47-unit mixed-income co-operative, is completed and fully occupied.

Developed by a joint venture that included the Jamaica Plain Neighborhood Development Corporation, **Sumner Hill House**, the former Jamaica Plain High School, has been converted into 75 rental apartments and is now completed and occupied.

Governor Michael Dukakis attended a ground-breaking ceremony at the **Indian Motocycle Building**. The massive factory in the center of Springfield's Winchester Square is being converted to rental housing by the Upper State Street CDC. ■

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The Commonwealth of Massachusetts
Michael S. Dukakis, Governor

Executive Office of Communities & Development
Amy S. Anthony, Secretary

CEDAC
Carl A. Sussman, Executive Director